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November 5, 2002

Via Electronic Filing

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TW-B204
Washington, DC 20554

Re: Notice of Ex Parte Presentation: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116

Dear Ms. Dortch:

On Friday, November 1, 2002, Robert Quinn Jr., Joel Lubin and I met with Matthew Brill, Legal Advisor to Commissioner Kathleen Q. Abernathy of the Federal Communications Commissioner. We discussed the many benefits of a numbers based approach to the assessment and collection of universal service consistent with AT&T's October, 22, 2002 ex parte filing.

AT&T emphasized that the revenue-based approaches advanced by other parties in this proceeding only continues the anticompetitive and discriminatory nature of the current methodology. The comments and reply comments of AT&T, CoSUS and many other parties in this proceeding document this fact.

However, should the Commission choose to use a revenue based approach as an interim step effective on April 1, 2003, the FCC must address not only the "revenue lag" and issues raised by the fact that carriers are assessed on amounts which turn into uncollectible or bad debt situations, but also the issue that carriers are unable to bill a USF connectivity fee on certain interstate revenues upon which they are assessed (the "unbillable" issue). The unbillable situation arises in several contexts, most notable for AT&T's consumer business where an incumbent local exchange carrier performs the billing function associated with certain interstate revenues. Where the end user customer is not pre-subscribed to AT&T (and perhaps receives a collect or third party billed call), the local carrier frequently bills those calls on the local bill. The problem arises when the local carrier refuses to add a line item that assesses the USF connectivity fee. Another example arises with independent incumbent local exchange carriers who bill on AT&T's behalf, but refuse to include a line item for USF connectivity. In both those circumstances, AT&T is assessed on those interstate revenues but is unable to collect that contribution from the specific customer. For business customers, the unbillable issue usually arises in circumstances where an individual customer asserts that, because of contract language or some other reason, AT&T cannot bill the customer the USF connectivity charge. If the Commission maintains a revenue mechanism, even for an interim period of time, it must address all of these circumstances. AT&T noted that the collect-and-remit methodology described in its September 13, 2002 ex parte presentation can be easily adopted by the Commission on April 1, 2003 regardless of the approach selected by the Commission.

Consistent with the Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the proceedings.

Sincerely,

Attachment

cc: Matthew Brill

Patrick H. Merrick, Esq.
Director – Regulatory Affairs
AT&T Federal Government Affairs

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September 13, 2002

Via Electronic Filing

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TW-B204
Washington, DC 20554

Re: Notice of Ex Parte Presentation: CC Dockets No. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 and NSD File No. L-00-72.

Dear Ms. Dortch:

Yesterday, Ruth Milkman (representing WorldCom) and Joel Lubin, Mark Lemler, and I (on behalf of AT&T) met with Diane Law-Hsu, Paul Garnett and Narda Jones of FCC's Wireline Competition Bureau. AT&T and WorldCom continued to urge the Commission to adopt the CoSUS proposal as filed in the Coalition's comments and reply comments. The CoSUS proposal provides the most efficient and competitively neutral mechanism for the recovery of universal service costs.

AT&T and WorldCom discussed more specifically the collect-and-remit methodology as submitted by the coalition in its comments in this proceeding. In addition, AT&T and WorldCom proposed collect and remit rules and described possible adjustments required to the FCC's 499 forms should a connection-based methodology be adopted by the Commission. We used the attached documents as an outline for our discussions.

Consistent with the Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the proceedings.

Sincerely,

Patrick H. Merrick

Attachments

cc: Diane Law-Hsu
Paul Garnett
Narda Jones

COLLECT AND REMIT METHODOLOGY

Overview

The Commission Order implementing the connection- and capacity-based federal universal service assessment mechanism would include a new Form 499-M that carriers would use to report the actual number of Lifeline connections, non-Lifeline residential wireline connections, single line business wireline connections, non-paging CMRS connections, pager connections, and switched multiline business connections (and special access/private line revenues during the transition) that they provided to their end user customers, along with estimated uncollectibles during that month. Carriers would submit this form to USAC at the same time they submitted their remittance for that month's contributions.

Implementation Steps (assuming April 1, 2003 implementation):

1. Contributors would submit both Form 499-M and their remittance for connections as of April 30, 2003 (the April 2003 connections), on May 31, 2003.
2. On that form, they would list the gross number of connections (or in the case of special access and private line, revenues) billed during April, a historically based uncollectibles factor or percentage[1], and the net number of connections (or revenues, as applicable) billed during April as adjusted by the uncollectibles percentage.
3. The net number of connections (and special access/private line revenues) would then be multiplied by the relevant assessment rate or contribution factor to yield the total amount that the carrier had to remit on May 31.[2]
4. On June 30, 2003, contributors would submit a Form 499-M covering reportable connections and interstate and international telecommunications revenues, adjusted for uncollectibles, as of May 31, 2003. The carrier would transmit its remittance to USAC for its contributions. The same process would be followed in subsequent months.

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[1] The historical uncollectible factor is specific to each contributor or industry segment.

[2] These reported connections (and, in the case of special access/private line during the transition, revenues) are filed in Form-499M's within 30 days of the previous calendar month. During the transition, the special access and reported revenues will be estimates of actual revenues from the previous month, as there is insufficient time to account for all of the USF assessable revenues. Adjustments between these estimates and actual revenues will be made in subsequent Form-499M's for the duration of the transition. This timeline results in only a small cash flow change for USAC. Under the current system, invoices for USAC's revenue-based assessment would be issued in mid-April by USAC, and paid by carriers on or about May 15. Under the collect and remit timetable, USAC receives its payments approximately two weeks later than under the current system.

Proposed Collect and Remit Rule

I. The interstate USF fund shall be funded by explicit end-user charges as set forth below.

II. The amount of the specific USF End-User Charge applicable to each entity required to contribute to the USF pursuant to section 54.706 shall be based on the number and capacity of end user connections provided by that entity during the prior month.

III. Except as provided for in section XX below, all Contributors shall:

1) impose the charges established pursuant to 54.706 via a line-item charge on the bills the Contributor renders to its customers

2) take all commercially reasonable steps to collect this charge from the customers to whom it bills it but in no event shall the Contributor take any steps to collect the USF End User Charge that are less rigorous than it takes to collect any other of its charges;

3) take no action, either directly or indirectly, to dissuade a customer from paying the USF End User Charge;

4) take no action to adjust or otherwise forgive the USF End User Charge except in the case where the charge was calculated incorrectly;

5) except for amounts described in Section V below, remit all amounts collected through the "USF End User charge" to the USAC;.

6) except as may be described in Section VI below, no Contributor and no customer who purchases interstate service shall be permitted to rely on any provision in any contract for the provision of interstate service to avoid the payment of the USF End User Charge.

IV. If a Contributor complies with all of the provisions of Section III. above, then that Contributor's interstate USF liability shall be limited to the amount of "USF End User Charge" actually collected by it and remitted to USAC.

V. A Contributor may withhold **xx%** of the USF End User Charge that it collects *or* add a Commission specified "safe harbor" amount to the USF End User Charge and retain the safe harbor collect amount to compensate it for its administrative costs. [Note: The Coalition members have agreed to disagree on this item.]

VI. Replace with 54.401 including 54.401(e)